To: Maryland Health Benefit Exchange, Board of Directors
From: Isabel FitzGerald, Secretary, Department of Information Technology
Joshua M. Sharfstein, Secretary, Department of Health and Mental Hygiene
Carolyn Quattrocki, Acting Director, Maryland Health Benefit Exchange
RE: Recommendation for Maryland Health Connection IT Platform
Date: March 31, 2014

Overview

As open enrollment draws to a close, we would like to thank the Board for your support in making the necessary changes and bringing on the resources that were needed to successfully complete open enrollment.

Functionality in the IT system has improved dramatically since December. Hundreds of fixes have been put into place, and the team has focused its efforts on fixes that would improve user experience and best support open enrollment. Because of these improvements and because of the tremendous manual efforts of hundreds of consumer assistance workers around the state, as well as the dedicated work of MHBE staff, **Maryland has been able to exceed the goal of enrolling more than 260,000 people during the first open enrollment period**. This means a tremendous amount to the families who will have security and peace of mind because they've been able to enroll in quality, affordable coverage.

Despite these efforts to improve the system, it remains deeply flawed. Over the past two months, we have analyzed options for the IT platform of the Maryland Health Benefit Exchange after open enrollment. This has involved extensive consultation with Optum/QSSI, our General Contractor and input from IBM. This in-depth review has shown the current system has serious architectural flaws, in part because it revolves around a commercial product that is much less mature than represented and has yet to produce the functionality required to meet the requirements of the Affordable Care Act.

We ultimately considered three principal options: (1) remediating the existing architecture; (2) migrating to the federally facilitated marketplace (FFM); or (3) upgrading our system by leveraging another existing product (e.g., the Kentucky or the Connecticut platforms).

Remediating our system would take over 12 months and cost more than $66 million, and the resulting product would likely still not meet our needs or provide a stable, sustainable system.

We have also concluded that while the FFM option does support qualified health plan enrollment, it does not adequately support our business model or Medicaid. The state would still have to build or transfer an eligibility and case management solution for Medicaid, making the FFM a

more costly solution that would (1) take longer and (2) not fully support Maryland's business model as a state based exchange.

Based on this review, we recommend that the Maryland Health Benefit Exchange leverage the Connecticut IT platform to upgrade Maryland Health Connection in time for the second open enrollment period that begins on November 15, 2014.

This approach:

- allows for rapid implementation of a proven IT solution for individual and family QHP and Medicaid eligibility and enrollment, with high consumer satisfaction;
- is feasible on the timeline for 2014 Open Enrollment; and
- maximizes re-use of existing software licenses and allows us to re-use hardware components of a value that exceeds $8 million.

The rest of this memorandum explains the evaluation and this recommendation in greater detail.

Optum/QSSI Review

In developing this recommendation, we have worked closely with Optum/QSSI, the Exchange's General Contractor.

On March 3, Optum/QSSI delivered an Exchange Options Feasibility Study. This analysis reviewed five options for moving forward with the IT platform, including:

- Remediating the current system;
- Partnering with the federally facilitated marketplace;
- Transferring another state solution into Maryland;
- Creating and joining a state consortium; and
- Building an entirely new system from scratch.

Key factors for this review included:

- Evaluation of the functionality of the target system including usability, security, and underlying technology;
- Reusability and compatibility with current MHBE infrastructure including hardware and software;
- Amount of customization or retrofits that would be required to meet Maryland's needs - whether source code is adaptable or transferable including code base and any intellectual property;
- Timeline for migration or remediation;

- Rough order of magnitude for cost;
- Total cost of ownership long-term;
- Whether the system delivery of key components can be completed prior to next open enrollment; and
- Risks including delivery of the solution within the current time, functionality/compliance, financial constraints, and availability of skilled resources to complete the work

Of note, the evaluation of the federally facilitated marketplace did not include consideration of Maryland's needs for a modern Medicaid eligibility and enrollment system should this option be chosen. Maryland would still be required to build or transfer an eligibility and case management system.

Optum/QSSI evaluated state systems that included Connecticut, Kentucky, Washington, New York, California, and Nevada. This evaluation included interviews, demonstrations, and technology assessment in terms of fit, reusability, feasibility and cost.

The Optum/QSSI review identified the Connecticut solution as the best match. This conclusion was based on:

- a simple and effective design;
- proven in the marketplace with one of the highest yields for QHP enrollment;
- reusability of software and hardware
- technical feasibility,
- potential for expansion for other uses later; and
- a reasonable cost compared to alternatives.

The Optum/QSSI report is attached.

Comparison of Options

With the Optum/QSSI analysis in hand, we developed a scope of work for leveraging the Connecticut IT system to upgrade Maryland Health Connection. MHBE sought proposals from Deloitte and from another vendor. These vendors were selected because of their familiarity either with our needs or with the Connecticut system. Deloitte developed and implemented the IT solution in Connecticut. The other vendor was not able to identify the technical resources needed for implementation; Deloitte submitted a specific bid.

Below is a snapshot comparison of three potential options for Maryland Health Connection: Remediate the current system, partner with the federally facilitated marketplace, and leverage the Connecticut IT solution to upgrade Maryland Health Connection. We have constructed the table below summarizing this comparison, with red representing high risk, yellow representing moderate but acceptable risk, and green representing low risk.

Criteria	Current System	FFM Partnership	Upgrade using CT IT Platform
QHP functionality	Eligibility and data transfer issues. 834s often are completed manually. Does not fully support life events.	Supports QHP eligibility, life events, and carrier interfaces. Some outstanding functionality.	Provides an integrated solution for MAGI and QHP. Supports eligibility, life events, renewals, plan management, and carrier interfaces.
QHP timeline	12 months for full remediation	6 months or less	6 months
Medicaid functionality	Eligibility issues, internal and external rules discrepancies, cannot reliability produce MMIS interface data, does not support life events or Maryland preferences	Maryland does not have a MAGI rules engine or a case management system for Medicaid. All of these structures would have to be built including interfaces to the FFM	Production tested MAGI rules. Provides an integrated solution for MAGI and QHP. Supports eligibility for both QHP and MAGI. Would require development of web service transfer of data and MMIS interface.
Medicaid timeline	12 months for full remediation	12-18 months	7 months
Manage churn	Does not support	Maryland lacks the MAGI rules engine and case management system. This functionality would have to be built	Integrated solution for MAGI, including Medicaid and commercial health insurance to allow for consistent client and worker experience
Use of Maryland consumer assistance network for case management	System presents major challenges	Consumer assistance network could help with enrollment.	Consumer assistance network could help with enrollment and case management.
Business model--integration with social services, ability to manage and customize	Does not support	Would not support. Maryland would be unable to integrate social services, support no wrong door.	Integrated solution - Same system can be used by state workers, navigators, and citizens. Supports integration

			and interoperability. Would be managed and maintained by Maryland
Interfaces--carrier and federal hub	Interfaces remain problematic	Would have to be built for account transfers and carriers would have to migrate interfaces to the FFM	Exact replication of CT HBX technical environment reduces integration risk with federal hub. Carriers would have to migrate interfaces and MMIS interface would be required
Technology – security, availability of skills sets, use of open source	Maryland has no visibility or control over the Curam product. IBM has failed to deliver required functionality timely. Curam resources are expensive and scarce.	Maryland does not have a MAGI rules engine or a case management system. This functionality would have to be built or transferred from another state.	Reuses production-proven assets including MAGI rules, notices architecture and integration layer. Built using standard development language. Resources with the necessary skill set are readily available.
Timeline	12 months or more	12-18 months for required Medicaid functionality	7 months for core functionality
Development cost	greater than $66 million	approximately $43-$53 million	approximately $40-$50 million
Total cost of ownership (excluding enhancements)	approximately $18 million per year	approximately $6 million per year	approximately $6 million per year

Financial Comparison

We have paid about $55 million to Noridian for development, hardware, and software licenses. The Maryland Health Benefit Exchange can seek to recoup these expenditures through litigation against our original contractors. We also expect additional development costs for our new prime contractor Optum/QSSI during the transition.

The three options for comparison have the following estimated development costs:

Current system	Greater than $66 million. Even if this funding were invested, we cannot assure the Board that the IT system would work as intended.
FFM Partnership	Approximately $43-$53 million. This estimate is based on an estimate of development for a modern Medicaid eligibility and enrollment system and an estimated $10 million in federal expenses for the transition. There will be additional hardware and software costs.
Upgrade Using Connecticut IT Platform	Approximately $40-$50 million. This estimate is based on the proposal received from Deloitte. There would be no costs associated with the code, which Maryland will receive for free. There will be additional hardware and software licenses costs. Maryland is looking to reuse current hardware and software to offset and minimize this cost.

In addition to these considerations, the total cost of ownership is far greater for the current system because of the need for multiple licenses for commercial off-the-shelf products.

It is very difficult to compare state spending on IT projects. However, it appears that even if one assumes no recovery from our prior contractors the total cost of our IT development (including payments Noridian, Optum/QSSI, and Deloitte) would be comparable to other state spending on exchange and Medicaid eligibility and enrollment systems. For example, Kentucky's IT development contract was for $101 million, Rhode Island's recent contract was for $105 million, Oregon's was for $130 million, and New York's was for $183 million.

Moreover, Maryland is better positioned relative to a number of states from a cost perspective because, unlike many other states, Maryland has not spent significant funding in recent years to upgrade its Medicaid eligibility and enrollment system. As a result, even prior to potential recoupment of funds through litigation, the expense in Maryland is likely to remain in the range of other states.

Center for Medicare & Medicaid Services

Throughout the development and launch of Maryland Health Connection, Maryland has worked closely with our partners at the Center for Medicare & Medicaid Services. If approved by the Board, we intend to make leveraging the Connecticut IT technology to upgrade Maryland Health Connection part of a corrective action plan for the challenges facing our current website. CMS will review this plan and, we anticipate, approve the plan, which would make Maryland eligible for continued funding for IT development in 2014. Maryland would also share costs recovered through litigation with the federal government.

Conclusion

Maryland's current IT platform has serious defects that make an attempt at remediation an unacceptably costly and risky option. Partnership with the federally facilitated marketplace is not an attractive option in the near term either, as the state lacks the required modern Medicaid eligibility and enrollment system.

We recommend that Maryland leverage the IT platform and code base from Connecticut to upgrade Maryland Health Connection. To succeed by November, Maryland will have to accept the system "as-is" with only minor retrofitting for branding, notices, interfaces (including with carriers and with the Medicaid system), and to accommodate Maryland specific rules.

This would provide Maryland with an integrated solution, a consistent client and worker experience, and an effective foundation for future growth.

All options present risks. Based on the risk, cost, and functional and technical fit, leveraging the Connecticut IT platform presents the best option for Maryland. If the Board authorizes the project, we will work with Deloitte to expeditiously move this project forward.